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8 JUL 1960

MEMORANDUM FOR: Comptroller

SUBJECT : Source Material for Speeches by the DD/S
or ADD/S Describing the Offices of the
DD/S

REFERENCE : DD/S memorandum of 24 June 1960, same
subject

The following comments are offered in response to referenced memorandum and are set forth in the same order as questions listed in reference:

a. The four most important points to be discussed in describing the functions of the Office of the Comptroller:

(1) It develops, prepares and executes the Agency budget and related financial programs.

(2) It recommends the establishment of Agency financial and budget policies and establishes financial procedures for their implementation.

(3) In order to assist management in making sound financial decisions and in controlling Agency appropriated funds and other resources, it develops and supervises the issuance of periodic budgetary and financial reports with respect to Agency activities.

(4) It effects overt and covert financial transactions on request of operating officials, in support of Agency activities:

b. Of special interest for CSR presentation:

(1) The development and issuance of financial and budgetary reports for assisting management in its decisions and control of Agency resources (item a(3) above).

(2) The effectuation of covert financial transactions on a global basis in support of operational programs (item a(4) above).

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c. Particular emphasis to the following would appear warranted in any presentation:

(1) In developing, preparing and executing the Agency budget, the Comptroller is governed not only by Agency policy but by law, policies of the Bureau of the Budget and Congressional demands (item a(1) above).

(2) In developing financial and budgetary data for reports to management, the Comptroller earnestly solicits constructive suggestions for improving their effectiveness and usability (item a(3) above).

(3) The success with respect to the security, adequateness and timeliness of effecting covert financial transactions is dependent on the amount of time and background information that operating officials make available to the Comptroller's Office for proper planning and use of cutout mechanisms available (item a(4) above).

d. Additional points that, time permitting, should be considered for inclusion in any presentation:

(1) Faced with the requirement of cost-based budgeting under Public Law 863, more and more emphasis will be placed on cost rather than on obligations. The main difference is that cost represents the value of goods and services used or consumed whereas obligations represent the value of goods and services ordered without regard to when they were used. This major change in budgetary justification will of necessity change Agency financial policies and financial reporting needs. Operating officials would do well to consider the effect of using cost data in managing their programs and to recommend changes in financial and budgetary reports issued by this Office so that these reports will better assist them in fulfilling their financial management responsibilities (item a(2) above).

(2) The Electronic Data Processing Machine (The RCA 501) to be installed in the Office of the Comptroller during the current fiscal year will greatly expand the data handling and reporting capabilities of this Office. This in turn will enable the Comptroller's Office to produce better and more timely reports for managing the Agency's resources.

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Under the RCA data processing system, as under any mechanical data gathering and reporting system, the report output is limited only by the data input. It is therefore important that all management officials determine the reports desired for management purposes as this will determine the data which must be accumulated to produce such reports. Further, as this machine is capable of producing more information than can be efficiently analysed, consideration should be given to discarding the current concept of management through positive information to the concept of management by exception. Active endorsement of concept of management by exception would reduce to a minimum the time spent in analysing numerous reports and would limit the need for issuing reports, requiring management action, to those occasions when the machine reveals an exception to a given norm.

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Chief, Technical Accounting Staff

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